

1. Real Estate Norm (REN)

1.1 What is the Real Estate Norm?

The Real Estate Norm (REN) is a measuring method that enables objective discussion of real estate quality based on an as comprehensive list as possible of selected quality aspect definitions. It is a means of improving the communication about office locations and buildings. It is a way to decrease the risk of inconsistent interpretations. With the help of REN the actual demand standards for office accommodation can be clearly determined. It provides a method that measures quality. The actual quality standard is determined by the user.

With the help of REN general insight can be gained into the desired or existing quality of office accommodation.

REN can be applied to office locations as well as office buildings. It also can be applied to future developments. REN cannot be used for the determination of real estate values. Thus it is not a valuation method. The economic value of real estate not only depends on its location but also on the balance between supply and demand in the locality.

1.2 What can REN be used for?

Three primary user categories can be distinguished for REN. There are, of course, some overlaps.

Determination and testing of the programme of requirements

With REN it can be determined if the current accommodation still meets the demands placed upon it. By using REN companies studying their own accommodation can formulate the criteria with which their future development or renovated accommodation has to comply. Then the outcome has become the company's assessment standard. In this way, an organisation can use REN to arrive at a firm basis for certain aspects of the programme of requirements, by stating their own requirements, priorities and possibilities.

Investment portfolio analysis

Investors can analyse the quality of the office buildings that they have invested in. This offers the possibility to balance supply and demand. By analysing an investment portfolio with REN, a clear picture emerges of the type of location or building in which the investor wishes to invest or has invested.

Improved communication

For those professionals who assist clients at the initial stage in formulating their accommodation needs, or guide them in the management of buildings, REN is a tool that simplifies communication about the functions of office accommodation between the client and the professional. Thus, REN minimises the risk of inconsistent interpretations by the user and the professional concerned.

By the use of clear definitions REN also offers the possibility of improving and simplifying the communication process between real estate professionals. By describing quality in terms of performance requirements within a range of five classes, different technical solutions can be compared.



2. How does REN work?

REN can be used when office accommodation is being (re)considered. In this case it mainly concerns the quality-cost relationship. What does the accommodation cost, what is its quality and what is the price/quality ratio? In addition to quality and financial aspects, quantitative aspects also play a role. REN limits itself to the quality grading of office accommodation. With the help of REN an evaluation of the quality of office accommodation can be made. REN cannot provide a final judgement, as this usually requires more study/research. However, REN can be used to arrive at an initial and systematically evaluated judgement.

The quality of an office building or location is determined by the extent to which the accommodation meets the requirements associated with its particular use. Firstly, the required floor area is determined, and then an assessment is made of the internal links between the different departments within the company. In other words, the building has to be large enough and must be capable of being organised efficiently. Next, REN can be of help In order to draw up a REN profile as the basis for the programme of requirements. Where the desired quality is defined, it is necessary to list aspects that determine the quality of the accommodation. A reference list is needed which states the quality level of those aspects. REN provides a list of quality indicators and their reference points. The user can make a selection of the aspects required and this selection can be used to draw up a REN profile.

Similarly the quality of existing or development properties can be determined. REN gives a comprehensive picture of the principles determining quality aspects.

2.1 REN structure

REN describes the quality of office locations as well as buildings on the basis of three main functions: use, comfort and security. As it is impossible to describe an abstract concept such as 'use' in a simple way, each of the main functions has been subdivided into a series of related aspects. These aspects describe the different items that apply to the main function and proceed from the general to the specific.

Each aspect is in turn subdivided into sub-aspects. Each sub-aspect is described in terms of five quality levels. Each organisation can choose which quality level is desired, or what the actual performance of that sub-aspect should be. For instance, for certain organisations level 3 may be sufficient.

The performance descriptions can be given in the form of a numerical category, for instance the number of people in a community. Apart from that there are performance descriptions listed as successive levels of quality. For the more subjective aspects an attempt has been made to introduce a certain measure of objectivity by counting the presence or absence of influential factors.

In moving from the sub-aspects to the main aspects, each main aspect acquires a quality classification, therefore enabling the quality of the location or building to be mapped.

2.2 Weighting factors

It is possible that office accommodation may not be suitable for an organisation because of one particular aspect that may be very important to the organisation. Other aspects might play an insignificant role in the



decision making process. But a group of seemingly insignificant items could become important. That is why a company has to allocate a weighting factor to the different aspects showing the level of importance as compared to each other and compared to the whole. REN presents the different quality aspects without indicating the importance of the individual aspects. The weight of the different aspects is dependent on the requirements and demands of the organisation concerned. In REN A, B, or C can be used to indicate the importance of each aspect.

- A: This aspect is of major importance.
- B: This aspect is of average importance.
- C: This aspect is of minor importance.
- NA/NR: Not applicable/not relevant.

On the basis of this system and the REN profile of the requirements of the organisation, different buildings can be approached by first looking at those aspects that are of great importance. In the next stage, the other less weighty aspects can be included.

3. Working with REN

The following is a general description of how REN can be applied.

3.1 Supply and demand profile

In order to be able to compare supply and demand, a REN profile has to be set up for each object. The way to draw up the supply or demand profile is as follows:

- Indicate the desired performance description of each sub-aspect.
- With the aid of the letters A, B, and C, the desired level of importance can be identified for each aspect.
- Depending on how many aspects are of major importance, one can limit the evaluation to those aspects. This enables a quick selection of the alternatives to be made in general terms.
- A few projects can then be selected for which a full REN profile can be completed.
- The list of aspects and their relative importance then helps to describe the desired quality/supply.

The matching of the supply and demand profiles can be performed as follows:

- Arrange all the profiles with an A rating, those with a B, and those with a C rating, in order of importance.
- Match the aspects with an A rating with those in the supply profiles.
- Make a selection of the supply profiles where the aspects match with those in the demand profile.

3.2 Accommodation Test

An organisation is inherently dynamic and has constantly changing demands. The accommodation of the organisation on the other hand is static and cannot adjust to the daily needs of the organisation.



Each year the changing demand profile of the company should be compared with the supply in the market place to show to what extent the current accommodation still suits the changing needs and priorities of the organisation.

The accommodation test is performed as follows:

- One prepares a REN profile of the performance level of the current location and building.
- One makes a REN profile of the company's wishes.
- These two can be compared to see if the current accommodation still satisfies the company's quality requirements.
- If it is concluded that there is a shortfall in respect of the current location/property it can be readily seen what has to be adjusted to suit the needs of the company.
- Finally with professional help, it can be determined if the changes are actually realisable or if it is advisable to relocate.

3.3 Investment portfolio analysis

The analysis of an investment portfolio can be performed as follows:

- With the aid of REN a demand profile is prepared.
- This demand profile is then compared with the profiles made from the properties in the portfolio or from the buildings that might be desirable to acquire.
- After making such a comparison an understanding is gained of the quality performance of the office buildings which have been invested in or which the company wishes to invest in.
- When the composition of the portfolio is known a buy/sell strategy can be determined.
- Should it be required to change the composition of the real estate portfolio, REN can assist with the buy/sell strategies.

3.4 Means to communicate with the client

Professionals that use the REN norm can use it as a means of communicating with their clients.

- After a short introduction of REN, of its aim and its potential uses the professional can discuss with the client if it would be useful to apply the REN standard.
- It can then be used to determine objectively what the client's problems are.
- The next step is to find a relationship between the client's problems and the performance profile of the client's wishes in terms of the REN standard.
- The performance profile is intended to aid the search for a systematic solution to the problem.
- Finally once the problem has been determined steps can be undertaken to rectify the situation.